

Message Text

UNCLASSIFIED

PAGE 01 TEL AV 04100 221921Z

53

ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 EB-11 L-03 CIAE-00 INR-11

NSAE-00 RSC-01 PA-04 PRS-01 USIA-15 COME-00 FRB-03

TRSE-00 SAM-01 DRC-01 (ISO) W

----- 083303

R 220837Z JUL 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 3235

INFO AMEMBASSY LONDON

UNCLAS TEL AVIV 4100

E.O. 11652: N/A

TAGS: EFIN, IS

SUBJ: ISRAEL-BRITISH BANK LTD. SEIZURE

1. BANK OF ISRAEL (BOI) GOVERNOR SANBAR REPORTED TO KNESSET FINANCE COMMITTEE JULY 21 THAT IBB WOULD PROBABLY BE LIQUIDATED. IT APPEARS THAT ASSETS AVAILABLE IN ISRAEL WILL NOT COVER LIABILITIES, AND SITUATION IS WORSE IF AFFAIRS OF LONDON BRANCH ARE TAKEN INTO ACCOUNT.

2. OTHER ASSETS OF WILLIAMS FAMILY (WHICH OWNED IBB) ARE APPARENTLY WORTH LESS THAN WAS FIRST THOUGHT, AND HAVE BEEN PARTLY PLEDGED AS COLLATERAL IN OTHER TRANSACTIONS. THESE ASSETS INCLUDE BRITISH REAL ESTATE, WHICH HAS RECENTLY DECLINED IN VALUE, AND ELIAZ WINE CELLARS IN ISRAEL, WHICH IS APPARENTLY GOING CONCERN. NONETHELESS, ASSETS WILL REALIZE SOMETHING, AND ISRAELI CREDITOR BANKS MAY ULTIMATELY RECOVER MORE THAN 50 PERCENT WHICH BOI HAS GUARANTEED TO THEM.

3. FIRST DRAFT REPORT OF BRITISH AUDITORS EXAMINING BOOKS OF LONDON SUBSIDIARY HAS BEEN RECEIVED. IT REVEALS THAT IBB LONDON BRANCH MADE LOANS TO LIECHTENSTEIN COMPANIES ALSO OWNED BY WILLIAMS FAMILY, " WITHOUT SUITABLE COLLATERAL."

4. SANBAR CLAIMED THAT SINCE IBB HAD BEEN EXPOSED TO CLOSER
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TEL AV 04100 221921Z

SUPERVISION THAN NORMAL (IT HAD BEEN IN TROUBLE WHICH RE-

QUIRED BOI INTERVENTION IN 1970), MISDEEDS WERE DISCOVERED. HE SAID NEITHER BOI EXAMINER OF BANKS NOR FINANCE MINISTRY'S CONTROLLER OF FOREIGN EXCHANGE WERE AT FAULT FOR FAILING TO DETECT IRREGULARITIES EARLIER, SINCE FALSE ENTRIES HAD BEEN MADE IN BOOKS. AS RESULT, IBB'S AUDITORS WERE UNDER INVESTIGATION TO DETERMINE WHY THEY GAVE APPROVAL TO ERRONEOUS INFORMATION.

5. IN SPEECH JULY 19 SANBAR SAID BOI GUARANTY FOR IBB MAY EXCEED \$76 MILLION, PLUS WHATEVER IS WOED ISRAELI DEPOSITORS IN ISRAEL POUNDS. HE NOTED FOREIGN DEPOSITORS HAD \$20 MILLION IN IBB, WHILE FOREIGN BANKS HAD \$70 MILLION IN LOANS AND DOCUMENTARY CREDITS AT RISK. THESE LIABILITIES HAD BEEN GUARANTEED BY BOI, AS WELL AS ONE-HALF OF \$12 MILLION DEPOSITED WITH IBB BY OTHER ISRAELI BANKS. OTHER LIABILITIES OF IBB, SUCH AS BANK GUARANTEES, ARE NOT COVERED. BOI HOPES TO RECOVER MOST OF THIS BY REALIZING ON WILLIAMS FAMILY'S ASSETS. HOWEVER, SANBAR ALSO REVEALED THAT 49 PERCENT OF WILLIAMS FAMILY'S ASSETS WERE ALREADY PLEDGED AGAINST BOI RESCUE OPERATION IN 1970. WILLIAMS FAMILY ASSETS INCLUDED BRITISH REAL ESTATE VALUED AT \$100 MILLION A YEAR AGO, BUT SINCE THEN REAL ESTATE VALUES HAD SLUMPED, AND ASSETS MIGHT BE WORTH ONLY \$20 MILLION NOW
KEATING

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ASSETS, BANK BRANCHES, BANKRUPTCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV04100
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740197-1044
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740727/aaaaaxcm.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <17 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ISRAEL-BRITISH BANK LTD. SEIZURE
TAGS: EFIN, IS, UK, ISRAEL-BRITISH BANK LTD, BANK OF ISRAEL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005